

MERRILL SMALL BUSINESS 401(k)

Why 401(k)

A 401(k) is a company-sponsored retirement investment plan enacted into law in 1978 that helps working Americans invest for their retirement through convenient salary deferrals with tax advantages. In fact, 83% of eligible workers participate in an employer-sponsored retirement plan.¹

Virtually any business — even a sole proprietorship — can implement a 401(k). A 401(k) can benefit your business, you personally and employees if you have them. It's a win-win for everyone involved.

Benefits to your business

Tax benefits

- Administrative costs and other plan expenses, along with company contributions, generally are tax deductible by the business.
- Your business may be eligible for a tax credit of up to \$500 for each of the first three years if this is your first 401(k) plan and you have 100 or fewer employees who received at least \$5,000 in compensation from your business in the preceding year.
- 401(k) plans for small businesses are more affordable than you might think — especially when potential tax benefits of the plan outweigh the costs associated with it. For instance, meet Chris in the example to the right.

Competitive edge

- Offering a qualified 401(k) plan as part of a competitive benefits offering, may help you attract and retain valued employees.
- You generally can also choose when employees are eligible to participate (i.e. immediately, after 12 months of employment, etc.) and the vesting schedule (the time frame they need to work for your company before any employer contributions are considered wholly theirs).



Let's meet Chris

Chris is a small business owner with fewer than 50 employees. This is the first 401(k) for the business. He is in the 25% income tax rate bracket.

- The business is eligible for a tax credit of up to \$500 each year for the first three years.
- 30 employees participate in the plan. Their average salary is \$45,000 with an avg. contribution rate of 5%. The business makes a 4% matching contribution.
- The business is eligible for a tax deduction of roughly \$54,000.

These potential tax benefits may outweigh any administrative expenses, particularly when you implement a 401(k) designed specifically for a small business.

Hypothetical example for illustrative purposes only. You should consult your tax advisor regarding your specific situation.

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Are Not FDIC Insured	Are Not Bank Guaranteed	May Lose Value
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Benefits to you and your employees

Opportunity to invest in the future

- A 401(k) allows convenient pre-tax salary deferrals, so the money is invested before individuals have a chance to spend it. A Roth 401(k) feature can be included in the plan as well, which allows after-tax contributions.
- Employees decide how to invest their money for the future.
- Add to this the power of compounding. Earnings realized on investments—including interest, dividends, or other returns—may then accumulate additional earnings.
- Help your employees today get on the path to financial wellness in the future.

401(k)s offer higher contribution limits²

- Opportunity for each individual (that means you, too!) to contribute up to \$19,500 annually—much more than a SIMPLE IRA.
- Individuals age 50 or older can contribute up to an additional \$6,500 in “catch-up” contributions.
- Combined total contributions for each individual account (employee contributions and any employer contributions) of up to \$57,000 or 100% of compensation, whichever is less (\$63,500 limit with catch-up contributions).

401(k) Advantages Over a SIMPLE IRA		
	401(k)	SIMPLE IRA
2020 contribution limit	\$19,500	\$13,500
Age 50 and older catch-up amount	\$6,500	\$3,000
Maximum individual annual contributions	\$26,000	\$16,500

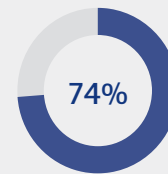
Over time, this difference can really add up. Let’s meet Sue (see right), the spouse of Chris, the hypothetical small business owner from the example on the previous page.

Access to your funds

- You may be able to take out a loan against your 401(k) account or withdraw funds before retirement age to satisfy an immediate and/or financial need.³



Roughly 8 in 10 employees anticipate retirement income coming from an employer-sponsored retirement plan.

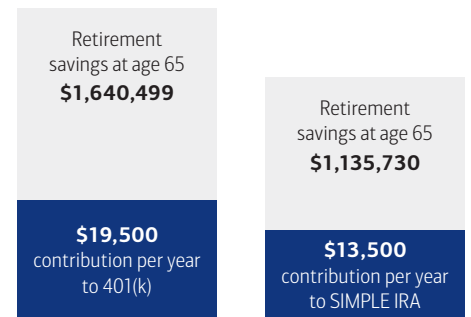


of employers feel it is their responsibility to help employees by providing financial wellness resources.⁴



Let’s meet Sue

Sue is 35 years old and her annual salary is \$45,000. She has no retirement savings to date, but is eager to get started.



Sue would receive roughly \$504,769 more from her 401(k) than if she contributed the maximum amount to a SIMPLE IRA. And this doesn’t even take into consideration a plan match!⁵

The next step is easy

A 401(k) may be within your reach with the Merrill Small Business 401(k). It is a streamlined, affordable and convenient 401(k) solution designed with small business in mind. For more information or to get started today, go to www.merrilledge.com/401k or call a PAI 401(k) Consultant at **866.890.4177**.

¹ Employee Benefit Research Institute (EBRI) 2017 Retirement Confidence Survey.

² Contribution limits apply for 2020, per IRS cost-of-living adjustment. Amounts for subsequent years may vary.

³ Withdrawals are subject to ordinary income tax. In addition, a federal 10% additional tax may apply to withdrawals taken prior to age 59½.

⁴ 2018 Workplace Benefits Report, Bank of America Merrill Lynch.

⁵ This example is a hypothetical example meant for illustrative purposes only. It does not reflect an actual investment, nor does it account for the effects of taxes, any investment expenses or withdrawals. Returns are not guaranteed and results will vary. Investment returns cannot be predicted and will fluctuate. Investor results may be more or less. It is not intended to serve as investment advice since the availability and effectiveness of any strategy is dependent upon your individual facts and circumstances. The example assumes the stated annual contributions are made monthly for 30 years, with a hypothetical annual expected rate of return of 6%. To read more about the assumptions, go to <http://www.merrilledge.com/M/PRNUI/PRNContent/M/htm/methodologyAccumulation.htm> or visit the Merrill Edge Personal Retirement Number calculator.

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